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S E C R E T SECTION 01 OF 03 BRASILIA 000785

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SUBJECT: ALLEGATIONS OF FARC FUNDING TO LULA'S ELECTION CAMPAIGN

REF: REITER-WHA/BSC E-MAILS OF 3/15-22/2005

Classified By: POLOFF RICHARD REITER FOR REASONS 1.4B AND D.

1. (C) SUMMARY. In recent issues, Brazilian weekly newsmagazine VEJA ran stories outlining an alleged plan by Colombia's FARC to funnel US\$5 million to the 2002 election campaign of Brazilian President Lula da Silva and his Workers' Party (PT). While the timing and sourcing of the VEJA stories suggest that they were planted for political reasons, the stories are not wholly fabricated. It seems likely that the reported April 2002 meeting between a FARC representative and PT party members took place and that the Brazilian Intelligence Agency (ABIN) conducted an extensive inquiry. However, it does not appear that any money changed hands. The fact that the story is being leaked now, instead of during the tense 2002 campaign when it could have caused the most damage to Lula's campaign, suggests that it is a product of current bureaucratic infighting within ABIN and the GoB. END SUMMARY.

VEJA BREAKS FARC STORY

2. (C) In its March 16 issue, Brazilian newsmagazine VEJA ran a cover story ("FARC's Tentacles in Brazil") that described an April 13, 2002 meeting on a ranch near Brasilia between a FARC representative in Brazil, Francisco Antonio CADENAS (aka Father Oliverio Medina), and some thirty "leftists" --mostly members of Brazil's Workers' Party (PT). At this meeting, Cadenas reportedly laid out a plan to funnel US\$5 million into PT coffers by laundering it through Trinidad and Tobago and into the accounts of 300 Brazilians linked to the PT, who would then turn the money over to the Workers' Party as private contributions. The article states that the Brazilian Intelligence Agency (ABIN) had an operative at this meeting and developed a secret file, part of which the VEJA reporters saw. The story notes that there is no evidence that the money was ever transferred, and that several of those who were at the meeting, including the FARC's Cadenas, denied to reporters that money ever changed hands.

3. (C) The article also notes that in 2003, Federal Deputy Alberto Fraga (PTB-Brasilia) announced in the Chamber of Deputies that unnamed ABIN officers had come to him with secret information about the April 2002 FARC-PT meeting.

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Fraga, who is not widely-respected in Congress, attempted to open a congressional inquiry but could not round up enough signatures on the floor.

SENATE HEARS FROM INTELLIGENCE CHIEFS

4. (C) In response to the first VEJA article, the Joint Intelligence Oversight Committee in the Brazilian Congress held hearings on March 17, convoking ABIN chief Mauro Marcelo and General Jorge Armando Felix, President Lula's chief intelligence advisor. They testified that ABIN was aware of the April 2002 meeting and had investigated it, but the investigation ultimately was shelved when nothing substantial turned up. General Felix dismissed the report about the \$5 million as "a rumor" and said the agency classified it as "secret" to avoid leaks that, in the heat of the 2002 campaign, would have appeared purely political. The two also testified that the internal ABIN documents referred to in the VEJA article were forged, as they did not comply with agency formatting rules. Marcelo noted, "What was published is a mixture of half-truths and half-lies. We do not have any official documents that the meeting took place." Felix noted that, the April 2002 meeting aside, ABIN will closely monitor FARC activities in Brazil.

5. (C) Federal Deputy Fraga later admitted that the documents provided to him by his ABIN source could have been forged, but that he had further secret documents in his possession. (Note: Fraga is now being forced out of the PTB party in part because party leaders are unhappy with his activities in this case. End note.) Opposition party leaders were circumspect at day's end and seemed disinclined to open a formal inquiry in Congress. The committee chairman, Senator Cristovam Buarque (PT-Brasilia), will consider whether to hold a closed-door hearing to review the other documents Deputy

Fraga says he has in his possession and possibly to hear testimony from ABIN officers and operatives.

SECOND VEJA ARTICLE

16. (C) In its next edition, dated March 23, VEJA ran a second article ("They Know Everything") indicating that ABIN's knowledge of the April 2002 meeting was more detailed than previously disclosed. VEJA interviewed the operative ABIN had infiltrated into the 2002 meeting as well as the ABIN officer who handled the case and reported that the whole case was taken very seriously by the agency, came to the attention of senior officials, and was investigated thoroughly. However, this article also did not find evidence that the FARC money had ever changed hands, though the ABIN case officer, Colonel Eduardo Adolfo Ferreira, is quoted saying that with help from the Federal Police, ABIN got copies of three payment orders adding up to US\$1 million that may have been part of a FARC transfer. Separately, Colombian Vice President Francisco Santos was reported to have said that FARC shipped cocaine through Brazil but he had no information about any transfer of the US\$5 million in question.

COMMENT - BUREAUCRATIC SMOKE AND FIRE

17. (S/NF) This story has both smoke and fire, stoked by a press that does a good job of digging up facts (and turning up hidden witnesses) but also has papers to sell. From the first revelation in VEJA magazine, the story has had the feel of a political plant. What seems uncontested is that the FARC official and PT members met in April 2002 and that ABIN knew about the meeting and investigated it, as ABIN sources have confirmed to mission elements. These same sources say no direct evidence was developed that the US\$5 million was transferred by FARC to the PT. Financial scandals break every week in Brazil --accompanied by great clamor from opposition parties and law enforcement officials. Banking transactions and financial documents are quickly splashed across the front pages. The fact that this case is three years old and no financial smoking guns have emerged, while opposition politicians and the other press outlets seem remarkably uninterested in pursuing what should be a high-profile case, suggests that the VEJA articles may be exaggerating the real level of FARC-PT contacts. Yet nobody is ruling anything out. Lula's Communications Secretary, Luiz Gushiken, pointed out that "It is impossible to know what every one of 800,000 PT members is doing".

18. (S/NF) The FARC-PT meeting occurred as campaigning for the 2002 elections was heating up and Lula's campaign gained steam. This raises the question, if ABIN and the then-Cardoso administration were aware of something as explosive as a FARC-PT link in the run-up to the election, why was this not leaked immediately to damage Lula's campaign against their preferred candidate? After all, the Cardoso administration is believed to have torpedoed another candidate, Roseana Sarney, in April 2002 by ordering a police raid on her husband's office. Thus, the Brazilian political questions are less explosive than the original story: why the case was not made public in the midst of the 2002 campaign, why it was made public now, and why senior ABIN officials are publicly indicating that they did not take the case terribly seriously in 2002, when other ABIN sources tell mission elements that there was in fact a thorough investigation. Post believes part of the answer is bureaucratic infighting. ABIN chief Mauro Marcelo was appointed by Lula after a career as a Sao Paulo police officer, and he is still distrusted by some in the military and ABIN, who may have leaked the story to discredit him and Lula. (Note, a few weeks ago there was a similar leak that ABIN agents would travel to Cuba for professional exchanges.) Other animosities have been stoked because the administration allows FARC to send representatives to Brazil (including a delegation at January's World Social Forum in Porto Alegre) over the objections of the Colombian government. Unless there are further, concrete disclosures, this case may go the way of most Brazilian mini-scandals and be forgotten in a few weeks.

19. (C) This cable has been cleared with Embassy ORA.
DANILOVICH